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in particular the Roman Catholic Church, were already deprived of their funds. This was a result of practices supported by legal provisions.

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In the first place, it refers to land. Agricultural land still possessed by the church after the land reform of 1919 was in fact taken away in direct violation of the law.

[671]

Article 8 of Law No. 187 of March 23, 1945, on agrarian reform provided that:

> "agricultural land belonging to monasteries, mitropolies, bishoprics, parishes as well as clerical endowments are excepted, from expropriation, and left in the ownership of the present title holders."

Likewise, certain categories of land, such as vineyards and forests, were generally exempted from expropriation. Nevertheless, most of Catholic landed property, including forests, vineyards, etc., were commandeered early in 1945 and thereafter seized by various "local committees" and, eventually, divided into small holdings. The remainder was seized in its entirety in February 1949 without compensation. This time the Government did not even take pains to issue a decree legalizing the actual seizure.

[454]

The "Sacred Fund" of the Catholic Church (<u>see supra</u>) also lost its value. It was composed almost exclusively of governmental bonds and were given after 1919 to the religious Catholic bodies in Transylvania as compensation for estates expropriated at that time. The terrific inflation of 1944-1947, swept out their value. Then, just before the monetary stabilization of August 14, 1947 government bonds were compulsorily called in and paid for in inflated <u>lei</u>, only an insignificant part of which was exchanged after the monetary stabilization for new currency.

the Ministries for Education and for Religious Affairs nor are they obliged in the least to send the curricula for approval (Article 73). 794 659

Consequently, the Christian Church of the Old Rite is not under the control of the Ministry for Religious Affairs with reference to its organization and cult as other denominations are. 795 659

Nor are its assets and financial status checked upon by the government authorities as are the assets of other denominations. Finally, it is permitted to establish and manage denominational schools independent of any kind of supervision exercised by the Department of Education. No other denomination has such a right. [454]

It may be assumed that the Soviets have taken a special interest in this denomination and therefore its status-as any other matter of interest for the Soviets-is not subject to Romanian law.

out paying for them, spoliating thereby his creditor and underselling and ruining the honest trader."

The paper advocated a revision of the law and demanded that debtors should be obliged to make a composition on the basis of the ratio existing between the assets and the liabilities, or with a variation of only 10 or 20 per cent of this proportion. As matters now stand a dishonourable merchant is entitled to file a demand for a "Concordat préventif" though his assets may far exceed his liabilities. He is then allowed to pay 40 or 60 per cent of his debts, and after they have been thereby considerably reduced is even accorded a delay of several years to pay them off. With such facilities at hand the majority of merchants did not scruple to avail themselves of the opportunity of repudiating their engagements and so getting rich quickly. The consequence is that commerce has been completely dislocated through the complete suppression of credit which naturally followed. The Under-Secretary of Justice in the Iorga-Argentoianu Government, M. N. Lenguceanu, overtly admitted in the *Neamul Romanesc*, September 5th, 1930, that the above-mentioned law "had permitted merchants, 98 per cent of whom were foreigners, overtly to despoil their creditors." Another very serious defect from which Rumanian legislation suffers is the tendency to enact laws with retroactive effect, which permits the invalidation of contracts, thus creating a state of instability that affects most adversely all commercial and financial operations. For how can foreign investors risk their capital in a country where uncertainty and instability have become its distinguishing features?

Senator Marino, on February 26th, 1932, deplored the disrespect shown for contracts, criticized the State for various measures passed undermining confidence, among which was the moratorium of 1919–1920 by which foreigners had lost some 7 milliard lei, and demanded the granting of serious guarantees which would instil confidence once more. Similar pronouncements by public men abound, for the serious consequence of the present policy are obvious to all.

Professor Flinders Petrie once stated (*Contemporary Re-*

gradually imbued people with the conviction that engagements and promises need not be considered seriously, and that on the contrary, elusion of obligations is a mundane affair and a fashionable art which should be cultivated assiduously. As a result, not only debtors always find means to avoid paying, but taxpayers also use every possible stratagem to avoid payment of taxes. There are huge arrears of taxes that remain uncollected, every imaginable trick being resorted to by taxpayers in order to escape from their monetary obligations to the State. The present tremendous falling off in the revenue should mainly be ascribed to this reason, as well as to the venality of the tax-collectors, whose leniency is secured by a slight gratification whenever they tend to become over sedulous in the execution of their duties. M. N. Petrascu, a fashionable speaker, while delivering an address at the Rumanian Social Institute in Bucarest on May 18th, 1932, asserted, "we should explain the non-realization of the budgetary revenue forecasts by the fact that our civic consciousness is not sufficiently developed to allow us to understand that by paying our taxes we fulfil an elementary duty; this is also the reason why fiscal frauds have attained extraordinary and unimaginable proportions. . . ."

The utter disregard of contracts and formal engagements can hardly be better illustrated than by the attitude of the State Railways administration in rescinding contracts with metallurgical establishments at Arad, Braila, and Reşiţa, contracts on the basis of which these very workshops were built. Another flagrant case of repudiation of solemn promises by an official organization is that of the municipality of Cluj which, after confirming a contract with the society "Electrobel" for a duration of fifty years, and after the Brussels firm had carried out 80 per cent of the work it had undertaken to perform, was requested by the municipality, hardly one year after signature of contract, to alter its provisions which had received the royal assent and had been unanimously approved and passed by the municipal council. The municipality brazenly demanded a reduction in the time period of the concession originally granted, namely from 50 years to 15, an increase in the royalty payable to the municipality from 3 per cent to 6 per cent, and

the right of the municipality to demand a revision of the price of the electric current supplied by the "Electrobel" whenever and as often as the municipality might think fit! 454 675

The "Electrobel" had completed the work contracted for to the extent of 80 per cent and had sunk millions in the undertaking in hand. Naturally it had made its calculations for a return on its capital on the terms of the original contract. If the clauses of the latter are to be so radically and arbitrarily altered it is bound to incur a huge loss. Such treatment meted out to the foreign capitalist has had the result of frightening him away for good, though his aid would have proved of inestimable value in helping Rumania to-day to surmount the difficulties with which she is confronted.

Owners of real property have also been very unjustly hit by a law promulgated in February, 1932, decreeing that all rents should be reduced by 25 per cent to 30 per cent, all existing contracts being rendered void. Most owners were already in a precarious situation, for they had built with borrowed money, and the recent drop in rents made it impossible for them to meet their engagements and pay off their mortgages, and as a consequence of this an immense number of buildings were being sold up for default, as the *Adeverul* for January 21st, 1932 records. This law, therefore, will complete the ruin of another class of the urban population, and will impress on the minds of all intending investors that it is as risky a proceeding to invest one's money in Rumania as in Soviet Russia. Various municipalities are doing their best to attract unwary investors by holding out to them the most alluring prospectuses and dazzling promises, and it would be well to sound a note of warning so that no more British capital be enticed into Rumanian enterprises, which have proved a veritable bottomless pit. 675 426 427

The writer also committed the folly of relying on the relative immutability of the law, as is customary in other European countries, and leased a certain site in a fashionable Rumanian resort for the purpose of constructing certain dwellings and letting them, all buildings to revert to the original owner of the site after the expiration of a ten-year period. The law reducing rents forces down the revenue by

652 quate means at their disposal they yet succeeded in achieving a certain measure of success, and notwithstanding the tremendous difficulties with which they had to cope. Some of the issues demanding attention were the reorganization of the administrative machinery in the newly-annexed territories, the complete overhauling of means of communication, the readjustment of agriculture, the reconstruction of the oil industry, which had greatly suffered during the war, and the necessity of providing for the needs of the army owing to the exposed geographical position of the country.

RUMANIA'S ECONOMIC POLICY

186 454 Until the advent to power in 1928 of the National Peasant Party under M. Maniu, the policy of the country was inspired by an uncompromising nationalism that tended to the complete exclusion of foreign capital so necessary for the development of Rumania. The chief instigators of this policy were the late brothers John and Vintila Bratianu, who had raised the maxim "prin noi însine" (by ourselves alone) to the sanctity of a religious dogma. The governments that had succeeded each other since the conclusion of the war, with the exception of the one presided over by M. Vaida-Voevod, were either formed by the Bratianu, or so-called Liberal Party, or by some nominees of theirs who were quite amenable to their views, so that a certain sequence in the policy pursued may be detected throughout this period, in spite of the change of persons at the helm of the State, while any divergence in their pronouncements from the original programme may be explained by the desire to allay the mistrust engendered by the Bratianu policy. The principal aim of this policy was the attainment of self-sufficiency through the industrialization of the country. This found expression in extensive legislation dealing with the development of national resources, the chief enactment being the special mining law promulgated in July, 1924.

382 471 315 The subsoil resources had already been declared national property, and the special mining law, which was aimed par-

maritime and fluvial shipping companies, the docks, ports, warehouses, and grain elevators of Braila, Galatz, and Constantsa.

Laws were drafted aiming at the commercialization and exploitation, either independently or in co-operation with the State, of these State-owned properties, as well as of other national resources. But the purpose which actuated the entire economic legislation enacted by the Bratianu Governments was that of preventing foreign capital from acquiring a dominant position in the country. This policy of restraining the activities of foreign capital by legal restrictions was not due to the fact that Rumania might be imperilled by foreign capital securing a preponderating influence, but mainly because the Bratianu party aimed at reserving for themselves the monopoly of such profits as could be made through the exploitation of the national resources. The direct result of this policy was to sink whatever Rumanian capital existed in big enterprises, while agriculture was entirely neglected, and to deplete completely the liquid assets of the country to such an extent that its credit organization was dislocated.

It is sad to record that during the years when there was a plethora of capital seeking investment which could have been easily attracted to Rumania with the object of endowing her with an adequate equipment for the development of her immense resources, such narrow and selfish views should have prevailed among her rulers. Indeed, had the opposite policy been adopted it would have secured prosperity to her even during the lean years which are now upon us. Foreign capital naturally fought shy, and refused to be enticed into enterprises in which it was not allowed to exercise legitimate control, which in many instances would have proved both salutary and indispensable. Rumania's natural wealth certainly provides a basis for industrial activity, there is an abundance of raw material, fuel, as well as a supply of cheap labour, but there is a serious deficiency of capital, which is reflected by the high rates of interest prevalent. Commercial bills were discounted at rates varying between 18 per cent and 30 per cent, and first mortgages were concluded on the basis of an average interest of 20 per

cent. It can easily be understood that no enterprises could possibly bear the burden of such interests, and that if foreign capital was to be excluded it would be necessary to have recourse to artificial encouragements in order to create and foster the industries it was contemplated to set up. Protection in its extremest form, therefore, was resorted to, and a tariff wall, the highest in Europe, was erected to protect the budding of these hot-house industries. In order to start a new industry the theoretical case for Protection is admittedly strong. Temporarily the new industry needs help, and eventually the country as a whole may gain from its creation, though in the meantime it has to bear the burden. The immediate effect is to increase the costs of the various articles produced locally to an extent that places them beyond the reach of a poor community such as the rural population of Rumania. The repercussion of an increase in the costs of articles required by the agrarian population naturally causes a rise in the costs of production of agricultural produce, which renders less easy its marketing in neutral markets in which the Rumanian peasant can neither enjoy nor demand the favour of a protective duty. So that eventually protection has proved an arm which has turned against him. In the case of Rumania, most of the industries which have been created proved to be clearly detrimental to the State. Certainly the textile industries, which import the totality of their raw material in the form of yarn from abroad, confer no benefit except to their proprietors. The raw material is usually allowed free admission, or pays a very light duty, while the finished article is sold at a price corresponding to that of a similar foreign product on which a duty amounting to as much as 300 per cent is occasionally imposed. Almost the whole of the difference is pocketed by the manufacturer, and the native purchaser gets no benefit whatever. On the contrary, he usually gets an inferior home-made article at almost the same price as he would pay for a foreign one generally of better quality. In this arrangement the State is deprived of a very important source of revenue since it desists from collecting the tariff dues it would otherwise have received if, instead of raw materials imported free, foreign dutiable manufactured articles had been imported.

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owing to the natural increase of her population, will in a couple of years have no more wheat available for export, and in ten or twelve years it will be the same with maize. It is imperative, therefore, for the Government to take without delay the steps necessary to increase the yield. This can only be done if the State will undertake to provide selected seed corn, to establish rural banks to enable the peasantry to obtain advances of funds at cheap rates in order to buy machinery and implements, and to create model farms in which more modern methods of cultivation might be demonstrated practically. If grain elevators were also constructed in important agricultural centres, and adequate storage accommodation made available, it would be easy to advance money to farmers on the security of the cereals they could store as a pledge. And if Rumania decided to return to methods of legality and offer safeguards to foreign capital there would be no difficulty whatever in obtaining all the capital she requires for financing such operations, as they would then prove perfectly sound. It is this utter lack of capital which has handicapped the development of agriculture since the war, for the smallholder had to pay usurious rates of interest (40 to 60 per cent being current), while prior to the war large owners could obtain advances from the banks on very reasonable terms. It would be altogether unjustifiable, therefore, to assert, as some people allege, that the breaking up of the large estates had led to the decline of agriculture. On the contrary, it is this measure which has permitted agriculture to survive, for owing to the systematic diversion of capital from agriculture to industry, the owners of the large estates would have found themselves in a worse fix than the smallholders if they had continued to exist and therefore required advances for the maintenance of their estates, as was formerly their wont. Without liquid assets they would have found themselves utterly unable to carry on the cultivation of those large estates, while the smallholder, by dint of hard work and privation, has managed to keep his patch of land under the plough. Some persons may retort that, if the breaking up of the large estates had proved to be a practical operation, the rural population would not have run into debt to the extent of